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E U I W O R K I N G P A P E R No. 85

TRADE AND PAYMENTS IN WESTERN EUROPE IN
HISTORICAL PERSPECTIVE : A PERSONAL VIEW

BY AN INTERESTED PARTY

by

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"Challenge and Response in Western
Europe: the Origins of the European
Community (1945 - 1950)"

Project directed by Professor Alan Milward

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January 1984

BADIA FIESOLANA, SAN DOMENICO (FI)

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Project directed by Professor Alan Milward

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struction in Western Europe, 1945-1950"

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TRADE AND PAYMENTS IN WESTERN

EUROPE IN HISTORICAL PERSPECTIVE:

A PERSONAL VIEW BY AN INTERESTED PARTY

by William DIEBOLD

1. PRELUDE

To be both history and historian is something new for me. You are not the first to speak of Trade and Payments as history, which I never intended it to be. But you are the first to ask me to do so as well, and I am puzzled as to how to respond.

I am honored by your invitation and grateful for it. That this old work of mine has some interest for you is most pleasing. I shall be intrigued by finding out wherein that interest lies. (Perhaps by the time I give this talk* I shall know; remember that these lines are written in advance of seeing your papers and hearing the discussion). Naturally, I shall be happy if you have found some things in the book that are still of value. But even if you want to show me how wrong I was or that I ignored major points to which I should have paid attention, that will still be of great interest. You must know many things about the period that I do not and are bound to have a different way of looking at these matters.

I can learn. Although I can also be stubborn, I do not think it likely that I shall want to stick to some conclusion or opinion just because I wrote it down long ago. (Naturally, I shall not assume that the contrary is correct simply because it has been more recently argued). It is for you historians to tell me what you think holds up, what is demonstrably wrong and what needs to be reconsidered. You have materials at your disposal that I did not have. You can base questions on later experience that I could not foresee. You also have, I suppose, a different approach -- or a number of different approaches -- since you write as historians and I was only trying to clarify and analyze contemporary events.

* Prepared for a talk at a conference on The Origins of the European Community; Challenge and Response in western Europe, 1946-1950, organized by Professor Alan Milward at the European University Institute, Florence, 17-18 November 1983.

Looking back now, we share a common time perspective. But even that may not really be the same since I imagine there is a difference in quality between time in which one has lived -- or been aware -- and time one has only read and heard about, however deeply it has been studied.

So much for the book as history, at least for the moment. I still face the question of how I can try to be an historian myself and look at the book and the activities it deals with from that perspective. I certainly cannot bring the book up to date, either in the sense of continuing some of the stories that are broken off or introducing new material to correct or amplify what is there. I have not continued to study that period or restudied the issues or even read very much of what has been written about these matters in recent years. To be sure, I occasionally come across something that deals with the issues discussed in the book or that makes me think about them. Once in a while I ask questions of people who know about these events -- or once did. Occasionally people ask me questions that stir up memories and call for an effort to think about some past events -- provided one can recall them correctly (and that is not always easy to tell). But I have nothing systematic to build on, so even if a few observations can be gleaned from the occasional reminders, they cannot sustain a general reassessment.

There is another obstacle to my looking backward: facts and the detailed data from which one can derive conclusions and against which one can test ideas. There are two versions of a familiar saying. Is it God who is in the details, as I have heard architects say? Or is it the Devil, as a German central banker once told me? Perhaps both. Historians, I know, have doctrines about such matters and perhaps do not always agree about them. But for me the situation is simple -- and stark. When, for the first time in years, I looked quickly through Trade and Payments to see if I dared accept Professor Milward's attractive invitation -- I have since reread it more or less properly -- one of my strongest reactions was how much work I had done to write it. And almost every part of

that work was very detailed. As the notes and the bibliography show, I plowed through mountains of documents, streams of newspapers and any number of journals. The small portion of all this that was carried over into the book may well have been too detailed but that seemed necessary at the time, to acquaint readers with unfamiliar developments and to make the case for some of the views I was advancing. On rereading, I found not only that I had forgotten many of these things but that sometimes I had forgotten that I ever knew them. Nevertheless, I am convinced that my understanding of some of the larger issues (as well as my willingness to make some generalizations and draw some conclusions) required this sort of study of the details. There were, after all, any number of widely accepted ideas that did not stand up to analysis, or at least proved to be incomplete or inadequate for the uses to which they were put once one got into the details. It was easier to move ahead when ideas were not generally accepted. Differences of opinion and interpretation help one to clarify matters, whether they are put forward in all honesty or in support of a particular interest. Not everything could be documented, either in a literal or a more general scholarly sense.

I tried to read between the lines -- and hear between them as well. As I recall it, most people were very kind about taking time to talk with a visiting scholar. Sometimes it may have been simply that I was interested in what they were doing. Sometimes they were anxious to get across some point of view, or make sure I was not unduly influenced by someone else. But most of the time, if I remember correctly, it was a matter of helping me to understand what I had not quite grasped from what I had read or of providing an interpretation that there was no normal occasion to put in print. Not that everyone I talked with was an official. I saw many academics, quite a few newspaper people and a substantial number of businessmen. I had the benefit of study and discussion groups at the Council on Foreign Relations and at comparable organizations in western Europe, such as Chatham House, the Centre d'Etudes de Politique Etrangère and the new centers of international

studies in Belgium, Holland, Italy and later Germany. One conversation led to another, with the same person or someone else. I owe a great deal to all these people; without them the book would have been much shallower, if it could have been written at all. Many of them are not named in the book because that seemed the best way to preserve a private relationship. A few, I fear, have been forgotten, along with the names of some others. Quite a few, though, are to be found in my notes or memory and there are some who became friends with whom I can still discuss such issues, though more often in terms of what is new than what was old.

One reason I had to talk to so many people and pile up so much written material was that the study had to cover a large number of issues (some of which, in the end, did not get into the book). The approach had to be broad as well as detailed because so many things were under way. One could not tell which efforts would make progress; quite different kinds of activity affected one another. Failures could be as instructive as successes -- provided one knew enough to understand them. The air was full of ideas, governments were full of activists, obstructionists abounded -- one had to keep track of them all.

Don't worry, I am not going to reconstruct the process by which the book was written. I am not an Ancient Mariner, stopping you to tell my tale. I am only trying to explain why I cannot discuss Trade and Payments by reexamining its detailed arguments, reassessing its many assessments or second-guessing my younger self. If there are any questions of interest to others as to my methods, or even my sources, I should be glad to answer them as best I can. It was a long time ago but I have at least a few notes and letters that would help. I even have a few thoughts of my own about the process of writing contemporary history that were partly stimulated by the preparation of this paper.

For now, though, what I am trying to say is that writing the 1952 book required long wandering in a rather dense forest which I shall not enter again, being no longer "nel mezzo del cammin" of my working life (to use a local expression).

Still, I need an answer to the question as to how I should respond to your invitation to look at Trade and Payments in historical perspective -- an invitation I find enchanting, if daunting. I have concluded, quite arbitrarily, that I should make use of three perspectives, or optiques.

First I shall say a word about the setting in which the book was written, why its subject seemed important and how some of the major issues looked to people at the time. Then I will make some comments on how the book's treatment of some of its larger issues strikes me today. This will sometimes lead to asking what additional questions ought to be studied. Third, I shall subject you to a few thoughts about how some of the experiences of 1946-51 relate to some large problems of contemporary international economic relations. Although, as I have said, the study of the period of European reconstruction is far behind me, I also worked on some of the later phases of intra-European cooperation -- what might be called the period of self-propelled integration -- and on a number of aspects of broader international economic cooperation (or the lack of it). Some of these involve issues that arose in Europe in the late '40s and early '50s, some are involved in Europe's relations with the rest of the world, and some concern American foreign economic policy. What can be said about all these matters-- or any of them -- is bound to be selective and incomplete, but it will all be related to Trade and Payments.

2. THE NATURE OF THE STUDY

I was conducting an inquiry, not testing hypotheses, let alone any general theory. I was trying to find out what was going on and what it might lead to. In that sense I was reporting, just as Michael Hoffman was reporting for The New York Times on the state of the European economy and Paul Hoffman -- the head of the ECA¹ (and no relation to Michael, I believe) -- was reporting to Congress each quarter on what was happening in more or less the same range of activities. These other kinds of reports were immensely important to me, but my focus was different. It was on European cooperation, not all aspects of European recovery, and it stressed analysis. Both Hoffmans -- and others for whom we can let these two names stand -- also sought to analyze the cooperative process; but for Michael, news had to come first, and Paul had to stress the relation of the facts he provided to the law Congress had made, the expectations that had developed and the commitments he had made in the past. None of these things was unimportant to me but my emphasis was different. My reporting was to show what we -- Americans and people generally -- had to understand; my analysis was an effort to advance that understanding, and the combined result was supposed to let us know how our world was changing and permit me and others to make suggestions that might have some favorable² effect, currently or in the future. Often these suggestions would be recommendations about the policies of various governments, but they might deal with other matters as well.

¹On the assumption that people at the conference are familiar with the period, I have not spelled out all abbreviations or explained various organizations and activities. This can easily be done if there is any obscurity.

²I am aware that this word needs defining -- but not in this paper.

The subtitle of the book is the key: A Study of Economic Cooperation. I put the same label on my later book on the Schuman Plan, partly to tie them together even though the later volume had turned out to be so different from the one I promised in Trade and Payments. In many ways the same subtitle could have been put on much else that I have written. Consequently what I have said about not testing hypotheses is only partly true. As an inquiry proceeds, it suggests possibilities which become hypotheses to be tested, usually in relation to specific matters. Broader ideas about Western European cooperation were in the air and had to be examined. There is a good bit of this in the book, I find, and this seems natural enough. How else could one sensibly try to understand what was going on? This is, however, quite different from studying what was going on in Europe in order to determine, say, the strengths and weaknesses of the functionalist approach, how far market forces will tie economies together whatever the governments do, or when economic cooperation cannot work without some clearcut political understandings.

There can hardly be much mystery as to why international economic cooperation should have been a natural focus for such an inquiry. If I were to try to pin the matter down, I would run the risk of boring you with an autobiographical account that would call attention to some passages in a high school essay on why national planning was inadequate, note the stimulus of certain studies in college and graduate school (including such curiosities as the relevance of some work on state and local government in the United States dealing with issues that spilled over boundaries), recount the intensive examination of a surprising number of relevant issues I had to undertake in my work for the War and Peace Studies of the Council on Foreign Relations and then touch on my small part in putting some ideas into practice in the State Department at the end of the war.

None of this is necessary because the questions in my mind were a reflection of the age -- and of the years just past. We were all concerned about international economic cooperation because of its absence in the '20s and '30s. Although more than international cooperation was needed to overcome the evils of that period, it was hard to escape the conclusion that without more effective action in this field purely national solutions would prove inadequate even if broadly conceived. They would certainly be highly vulnerable to pressures making for mercantilism, protectionism and autarky and we had already paid a high price for that kind of world. National commitments to the elimination of depressions, full employment and greatly broadened concepts of social security might well sometimes seem to clash with international commitments, especially those removing barriers to trade and payments, but the long run need was for ways of dealing with such problems -- and conceivably ending them. Governments should not be forced to choose one course or the other, especially since it was doubtful that any country could provide the levels of living democratic constituencies demanded without some reasonable degree of international economic harmony.

For Americans, the issues were particularly sharp, since their country had held aloof from most of the prewar efforts at cooperation. One could hardly argue with any assurance that a different course of action by the United States would have made the League of Nations a success, prevented the rise of barriers to trade and payments in the Depression and before, and checked the rise of fascism. But the realistic possibilities raised questions and, at a minimum, the absence of the United States from these efforts could hardly be said to have helped (though there were some Americans who believed this). More important, it was clear that any future improvement in the climate for economic cooperation depended on the United States taking a major part in the process. As it turned out, the United States led the parade, but that

could not be taken for granted ex ante. Why things worked out that way and how to appraise the American performance are matters that go beyond the scope of this paper, although they are not irrelevant to it. That is equally true of the reasons the efforts to deal with European recovery in the immediate postwar years proved inadequate and the Marshall Plan was created.

There are, however, three basic points that must not be overlooked.

1) The entire American approach to rebuilding the world economy -- what became the Bretton Woods system -- was based on extensive international economic cooperation by all major countries, not least the United States³.

2) The cooperation called for was not simply formal or verbal. If there was any lesson from the interwar period that pertained specifically to cooperation -- and those lessons were guideposts for a great deal that was done -- it was that governments could commit themselves to all sorts of general pledges -- as frequently happened under the auspices of the League of Nations -- without actually altering their behavior. That is one of the most important reasons the American proposals in finance, trade and other matters put so much stress on concrete commitments and international organizations to oversee them⁴.

3) The international economic system that the United States was advocating was to be global -- or at least as nearly global as was feasible. It was also multilateral, which meant that many countries took part, each having mul-

³ I have tried to explain why the cooperation of others was an essential element in spite of the great power of the United States -- unless quite a different kind of system was to be created (see "The United States in the World Economy: A Fifty year Perspective", Foreign Affairs, Fall 1983, pp.81-104).

⁴ A second reason was the American constitutional system and the need to be able to demonstrate to Congress that there were firm commitments, rules for behavior and means of enforcing them, or at least penalizing infringements. Ironically, this was also one of the reasons some of the international commitments and agencies were not stronger. Congress was not prepared to give up its power on many matters or see the United States pledged to courses of action that might prove onerous in the future -- particularly if one could not be entirely sure that other countries could be counted on to live up to their commitments.

tiple relations with the others. Each conducted its own affairs autonomously so long as it met its obligations to others; equal treatment was the general principle but that did not mean that all relations were uniform. Although Western Europe was always regarded as a key factor in the system to be created, no particular emphasis was put on the cooperation of European countries with one another either in the process of recovery or later.

These three factors explain why a new emphasis on Western European economic cooperation, possibly even economic unification, raised new problems. But they also help to explain my own approach to the question in 1947 when I began work on the book I am now reconsidering.

As I explained in the preface, I made my first postwar trip to Europe in the fall of 1947. The occasion, as for so many of my travels, was a conference; but the Council on Foreign Relations -- to which I had returned after several years in the government -- wanted me to look around, make contacts and explore the situation to see what kinds of work it, and perhaps I, should be doing in the future. I suspected I should learn more if I had some reasonably clearcut subject of inquiry, however broad, rather than walking into the office of some busy person and asking, "What is the situation in your country today?" The work of the past summer, generally spoken of as the European response to Secretary Marshall's speech, was on everyone's mind. The results were being presented in Washington while I was abroad; it was far from certain what Congress would do. Much depended on the size and validity of numbers; I had some doubts about those figures but even greater doubts that I could usefully contribute much to that debate -- or that I wanted to. But the emphasis on cooperation -- on Europeans working together -- first in Marshall's speech and then in the European response was a new element, potentially of enormous importance, frequently touching issues I thought I knew something about. It seemed a natural point of inquiry. I wish I could tell you with com-

plete conviction that my choice was based on a deep confidence of the future importance of European cooperation. Maybe it was but curiosity, convenience and luck played a large part. I learned enough to think I should write a pamphlet to explain to the American public what the Europeans were doing in matters of cooperation. Things turned out otherwise and I did a lot more work. Probably that was just as well: How many of you would have found that pamphlet, 35, or more, years later?

From what I have already said you know why I approached the subject with skepticism. To start with, that is the right frame of mind -- or at least one of the right frames of mind -- for scholarly inquiry. It is also my nature, especially when something new comes up -- ask my wife. I knew from my studies and my limited government experience how great the obstacles to cooperation were; they increase when governments are in difficulty even if that is when cooperation is most needed. For reasons that were in many ways perfectly "natural" -- it seems odd that this term should be so understandable in statecraft -- European governments, striving after recovery and each trying to do the best it could, acted as tough-minded, old-fashioned, nationalists. In the process they hurt themselves as well as others. But it was easy to see why they behaved this way. On the one hand, this behavior underlined what one already knew about the obstacles to effective international economic cooperation. On the other hand, it sowed an important seed of doubt about the language in the CEEC report about cooperation.

The authors of that report had had the "friendly advice" -- if I remember the terminology correctly -- of Under Secretary of State William Clayton and the members of his mission during the summer of negotiating and drafting. In addition to underlining the importance of what Marshall had said about European cooperation, Clayton and the mission would undoubtedly have explained in clear and honest language how important this matter would be to Congress. Consequently, I, as an independent inquirer, had always to say -- to myself if not always my interlocutor -- do you really mean everything you have said? Or is

that said to make the Americans happy while you know that later on one will find out that many things cannot usefully be done?

My approach was not hostile. The questions were real and honest; they deserved proper answers but it was not always easy for anyone to give them. Fortunately, my sense of the concreteness that real cooperation required -- the need for specific agreement on workable arrangements and not just statements of objectives, even if they were in perfect legal form -- provided a natural line of inquiry. When I asked what work had been done to discover the difficulties, who had proposed what solutions, what would have to be done to make them both economically effective and politically acceptable, and so on, the people I was talking with usually understood and we could find common ground. If occasionally there was none at all, that too helped give me some sense of what was being taken seriously and what not. My inquiry was based on other positive elements. I knew how important it was that new forms of international cooperation should be worked out if the world was to avoid the troubles of the '30s. I knew that it was possible for governments to act differently from the way they had in those times. I knew that there were people in Europe who took these matters seriously and, were working hard to make changes. I knew that quite objectively, the Europeans could do much more to help themselves than they were doing if they would cooperate more closely among themselves.

All this I might have said without rereading Trade and Payments but I should add one point as a result of that rereading: It turns out that I believed then -- as I have frequently said in many different connections in recent years, and in between -- that however compelling the logic of altogether consistent behavior -- x requires y, you cannot say a without saying b, etc. -- in real life it is not so. If one sees why a customs union should require an economic union or that a monetary union needs some merging of political sovereignty, or that the integration of one sector creates

problems that may force the integration of other sectors, one has hold of a fruitful set of ideas and an important analytical tool but one is not describing the real world -- except sometimes. And the determination of those times -- and what is then done -- is crucial to history but has not been a sound guide to policy. Ex ante one does not know either that this kind of development is inevitable or that illogical situations will not persist.

I have blown this point up into something too general for this paper. Its particular relevance to Trade and Payments is simply that my realization of this state of affairs -- not that it does not raise still further problems -- seems to me, in retrospect and on rereading to have saved me from dismissing any number of possibilities because they were "bound to fail" or as unwise because they were inconsistent with something else that was going on. Whether this understanding predates my inquiry or mostly came out of it I cannot say with any certainty but I believe it was already there, though perhaps not altogether articulated, as a result of growing up in a highly pluralistic country.

I have allowed these last few pages to become too personal. This is more than you need to know. But I shall let them stand (as many other pages have not stood) because I think they give some clues to the way other Americans approached these matters. That record is mixed and I cannot go into it here. There are, however, two more points that are important to this rough sketch of the background and circumstances of Trade and Payments.

In the study of Western European economic cooperation American policy has an important place. The emphasis on cooperation was a new note in the Marshall speech; the subsequent record of American support for both cautious and bold measures of European integration leads one to think in terms of unqualified -- and perhaps sometimes unthinking -- American actions and attitudes. It is worth remembering, therefore, that the policy of support was not unqualified and that there

were questions among informed Americans about it. Those of a certain period were reasonably well exemplified by the Council on Foreign Relations's Study Group on Aid to Europe, chaired by Dwight D. Eisenhower, when in December 1949 it discussed a paper by me that was in many respects an early version of Trade and Payments.⁵ About half the discussion centered on whether it was wise for the United States to press hard for the "integration" Paul Hoffman had recently called for or whether there was too much danger of failure and disillusion.⁶

⁵The report of this discussion (Eleventh Meeting, December 20, 1949) can be found in Archives of the Council on Foreign Relations, Records of Groups, Vol. XXX; 1948-51, Aid to Europe, IV, 1.

In contrast to other reports that are in final form this one is marked "draft" and has minor corrections in my hand. Why this is so and whether a final version exists I do not know. In conformity with the rules of the Council's open archives, I have not mentioned the names of other participants who are alive as I have not yet asked their permission to do so.

In addition to the paper, the group had before it a short note by me in which recent quotations on key issues (by, e.g., Hoffman; Cripps, Geoffrey Crowther) were used to raise basic questions for discussion. Those not covered here concerned Britain's relation to the Continent, discrimination against the United States and cartels. The main paper, in a somewhat revised form, became chapter IX of Howard Ellis, The Economics of Freedom, 1950. There was some further discussion of some of these points when the group reviewed the book manuscript as a whole (largely on the basis of an oral summary of chapters on February 15, 1950. Same source; 14th meeting). The manuscript of Trade and Payments was never discussed in a study group so there is no comparable record. It drew on the work of several groups and was read in whole or in part by a number of people who gave me written or oral comments. As noted in the Preface, thanks to John H. Williams, the proofs were reviewed for factual errors by the research staff of the Federal Reserve Bank of New York under Charles A. Coombs. I do not recall that they found many.

Prominent among those urging caution were the economists : Jacob Viner, Ragnar Nurkse, Emile Despres, Howard Ellis, Stacy May, Percy Bidwell and Maxwell Obst. They were all acutely aware of the difficulties of overcoming deepgrained habits of national economic policy and of removing trade barriers. They had no doubt increased cooperation was desirable but how much was it realistic to expect the Europeans to adopt? They differed among themselves as to how great the gains would be from feasible measures of cooperation and whether there was a serious risk of incompatibility between such European measures and the pursuit of the measures of global economic cooperation which they all considered of major importance. Had he been present, another member of the group,

⁶The choice of the word "integration" for Hoffman's speech may well have reflected some of the same kinds of concern I am discussing here. "Unification" was a word American politicians favored and that word found its way into the Marshall Plan legislation. Many other Americans, including, I believe, most people in the State Department, thought it unwise to use so sweeping a concept especially since there was little manifest support for it in Europe. As I recall Miriam Camps's account of the matter, she thinks that some combination of State Department and ECA officials were able to put through the use of "integration" as something milder than "unification". The fact that the term had no commonly accepted content was helpful. Another consideration may have been that "unification" had clear political implications while it was an open question how much political cooperation was required for economic integration. Mr Hoffman's authority was for measures dealing with European recovery and differences between him and the Secretary of State over foreign policy would have had to be settled by the President. Fritz Machlup's admirable book on the meanings integration has had in economics is weak on this case.

Because this paper was finished while travelling I have had to rely on memory for certain points (as in the matter of Miriam Camps's testimony) and some citations have been left incomplete, as for Ellis and Machlup.

Russell Leffingwell, a Morgan partner, might well have said, as he did on several other occasions, "Cooperation is all very well but you can't improve Europe's balance of payments by adding up 18 deficits" -- or words to that effect.

The non-economists present had differing reactions. General Eisenhower began by saying that although one might question the expediency of Hoffman's remarks in the short run, "he was probably essentially correct on a long-term prognosis" and "asked whether there was any hope for Europe without integration"⁷. Allan Dulles "wondered whether exceptionally strong principles were not vital to any program for greater intra-European cooperation". Otherwise each crisis would produce nationalist barriers. Other points made by members of the group were (1) that European advocates of integration wanted a strong emphasis on political measures; (2) Europe could gain bargaining power by integration even if it entailed some economic costs; (3) the thing to do was to push ahead with military unification since the economists said economic integration would be so hard to get. Hamilton Fish Armstrong said it sounded to him as if no one thought economic integration would greatly affect the dollar gap and that was where we should concentrate our efforts. He "thought that the discussion led to the conclusion that overemphasis on integration would be a serious mistake.... If the public believes in the emphasis, failure might lead them to wash their hands of Europe". Eisenhower, who said he had always understood "that economic and military cooperation would have to be mutually supporting ..." now wondered if "a greater degree of political union was needed before a larger degree of economic union could be achieved". There should be

⁷ The text from which I am quoting does not purport to give verbatim statements, only summaries and paraphrases (but often the reporter uses the actual words as I know from having written many such documents). It would not be wise to assume that the statements quoted necessarily represent the final views of these men.

pressure to that end; concern with politics and security might help people give up old attitudes. He thought economic integration "desirable even if there are doubts as to ultimate benefits".

It would be interesting to pursue these matters further but I have had to take a pledge not to let your invitation to look back become an excuse to reminisce -- with documents if possible. There were many other longer and deeper discussions of American policy on European integration. Perhaps this summary has served the purpose of illustrating that some of the complexities of economic integration were recognized in the United States and influenced my reasonably skeptical approach to the subject. At the level of policy, and particularly public discussion, matters were somewhat different -- and this could be a source of worry, as the quotation from Armstrong shows. There was also the danger of putting the United States in a position of insisting that the Europeans do things that could only last if the Europeans really wanted them (or came to want them). It may be questioned just how many voters thought very much about Western European economic integration but the Eisenhower group clearly thought there was strong public sentiment. It must be recalled, too, that it has long been a common American belief that part of the trouble Europe has had could be overcome if "they" got together and formed a United States of Europe. And it was certainly true that cooperation among the European countries was generally regarded as essential to the success of the Marshall Plan in the discussion just referred to. If not, that was an important new conclusion said Eisenhower.

Many factors lay behind this judgement --starting with the obvious one that part of Europe's trouble stemmed from the persistence of nationalistic economic policies that restricted trade and payments. Another was that any large-scale action by the United States would require Congressional action, at least in the appropriation of funds and perhaps on other mat-

ters as well. In the past the executive had repeatedly approached Congress for funds or other kinds of legislation connected with European recovery. Much had been promised as to what could be accomplished by the British loan because Britain was the center of the trading system and sterling a key to world financial and monetary order. There was a very real fear in the State Department, Treasury and White House that Congress would balk unless it was given some assurance that this would be the last big approach and that it was different from what had gone before. The difference was to lie, to an important extent, in that all of Western Europe was pulling together, and that aid to one country would not have to be duplicated in another because each recipient was behaving as if it and the United States were alone in the world.

Hence the rather laconic passage on cooperation in Marshall's speech. Hence the language in the CEEC's report of that summer. Hence my choice of cooperation as the theme to ask about on my first postwar visit to Europe.

This leads to my final point on the setting in which the book was written: Times change. In October 1947 when I made my first trip to Europe on this matter, the subject was new and there was all the uncertainty I have indicated -- even whether there would be a Marshall Plan⁸. By the time I wrote the paper for the Ellis volume, there was a great deal of activity in Europe and Hoffman had made the integration speech. By the time I finished the book, the announced period of the Marshall Plan was coming to an end, rearmament was in train and raised questions about economic cooperation but also about political issues and the Schuman Plan had been announced and was under active negotiation. Attitudes toward it included disbelief, hope, fear and the conviction that now Europe was really on the road to -- what? Should one say "integration", a word that was now fuzzier than when Paul Hoffman first defined it? Or perhaps "federation" a stronger concept but one that could be equally confu-

⁸The key issues were, of course, how much and what kind, so these summary statements are a bit misleading.

sing?⁹ But what was equally clear was that the obstacles were still there. I was doing research for Trade and Payments in London during the week in which Monnet failed to convince the British of much of anything about what the French and Germans might do. Now we look back on these matters through a long period of the building up and then flattening out of European integration. In a way it is foolish not to let our judgment be influenced by what we know of how things have come out. But it is also useful to try, at least from time to time, to recapture the pristine view of the time.

⁹ Some of the reasons for this confusion, along with some other matters relevant to this paper, can be found in my essay, The Relevance of Federalism to Western European Economic Integration, in A.W. Macmahon (ed.), Federalism, Mature and Emergent, Columbia University Bicentennial Series (Columbia University Press, N.Y.), 1955.

3. SOME REFLECTIONS ON THE CONTENTS

Robert Triffin once wrote a review of one of his own books in the book itself. I shall try nothing that ambitious. Here are only some reflections of a mixed character, stimulated by rereading Trade and Payments for the first time in many years. They are put forward immodestly and with the artful omission of some points I want to make in the next section. I have varying degrees of conviction about these remarks and it would be of the greatest interest to me to find out how they strike others and what additions they would make.

First there are some omissions, whether they are sins or not. Japan does not appear in the book as it did not in the minds of those working in the Marshall Plan, I believe. What was going on in Japan had some things in common with what was being done in Europe. A link was made in Dean Acheson's Cleveland, Mississippi speech about the two workshops of the world; but cooperation was not an issue in Asia.

East-west trade hardly appears, and is explicitly ruled out as a major subject. Partly, I suppose, that was because it raised quite different kinds of issues; perhaps more because it was not then a contentious issue of any great importance between the United States and Western Europe, as it soon became. I had pointed out in a Foreign Affairs article in 1948 that estimates of aid needs in Western Europe had made certain assumptions about goods from the east and if controls disrupted or restricted that trade some new figuring would have to be done. I am not aware that it was done generally, but it must have been when the need came up in specific cases. A quite different east-west issue came to mind as I reread the section of Trade and Payments that deals with the first payments agreements and the problems of clearings that required the assent of each participating country and why that was often withheld. The pattern was very similar to that of an east-west payments agreement worked out under

the aegis of the ECE which survived only a few years and did little. There are also overtones of the problems of trade within the CMEA. In some unpublished writing I have even speculated on what conditions would have to be created for CMEA to have its own equivalent of the EPU -- but I fear they involve very unlikely changes in the pricing and planning systems of those countries.

There is less in the book about Germany than I would have expected. To be sure, there is quite a lot about fitting Western Germany into the new arrangements, its crucial part in some matters and the way its payments crisis tested the EPU. But without those things the main story could not have been told. Why is there not more about the specific difficulties of the German situation and the complications and broad political and psychological aspects of its changing relations with the former enemies and occupied territories? I was familiar with these problems (the conference that took me to Europe in 1947 was about Germany; I had worked on Germany and even on the trade problems resulting from the partition of the country). I have always shared the standard view that a major motive for building up a system of economic cooperation in Western Europe (and perhaps closer political cooperation as well) was to make a place where a democratic West Germany could live in reasonable harmony and confidence with its neighbors. Maybe I took all this for granted; maybe I simply thought the book was already too long. Some matters of this kind came into the Schuman Plan book, naturally enough, but when I finished Trade and Payments I did not know that the next volume was going to be so firmly focused on the coal and steel pool.

The United States had a special concern with German matters -- some would say a bias. Robert Marjolin is very good on this tricky subject in his Leffingwell lectures of 1980¹⁰.

Perhaps the size of the book and the oppressive process of trying to finish it also explain the absence of any general

¹⁰ Robert Marjolin, Europe in Search of Its Identity, The Russell Leffingwell Lectures, Council on Foreign Relations, N.Y., 1981, pp. 18-21 .

discussion of the interrelation of economic and political integration. Other people were writing about this all the time; in one way or another I took up the point when it came up in a context where limited discussion was all that was called for. I have never looked favorably on discussions that made a great thing of the differences between economic and political factors, perhaps because I got my main education in the Great Depression when it would never have occurred to you to stress that distinction.

It is easier to see why the book says nothing about what most people would call a basic question: How much was economic cooperation contributing to European recovery? That would quite simply have required another major study using different materials, tools and questions. I suspect it could not have been done with any degree of reliability at the time -- and I leave it to others whether it can now be done. Are there good, historical methods for disentangling multiple causes and complex effects? There is also a deeper reason. It is not altogether clear what cooperation is and when it occurs, the explanation cannot lie in forms alone. Adversarial processes that produce results accepted by all major parties are a kind of cooperation, but what if the struggle reduces the gains to be shared?

Considering the concern I had already shown about American policy and the difficulties of encouraging European integration, it might have seemed natural to devote a greater portion of the book to this matter than I did and to look at the issues more systematically. At this distance in time I cannot say with great conviction why I did not do so, but I have some impressions. The active American role in proposing, disposing, forcing issues to conclusions, providing aid on condition that the recipients do certain things, are strewn through the book. In that sense the subject is not neglected. In both this and the Schuman Plan book, I was stressing the fact that there were big chances afoot in Europe which the United States would have to reckon with; it could

influence them but probably not control them. Perhaps it could stop something from being done; only rarely could it carry through to a positive result. The message was: be careful, be thoughtful, be prudent, but here is what you should do. At least I usually provided this last and if it was not there on an adequate scale in Trade and Payments, it may have been planned for the end of the second volume that then took a different shape.

Had I been writing history, I suppose I would have tried to say something in more detail. But then I would have run into a considerable obstacle: knowledge. I knew much of what went on; the world was full of newspapermen who knew -- or could find out -- more. But if you learn things from friends, there is the problem of confidence. And if you hear it from others, there is the question of reliability. And even when these can both be overcome, there is the issue of completeness. Your story may be part of a much larger one; the sequence of events you know about may be only one of several parallel processes; the people involved in each thought they were on the track that would decide matters. Anyone who has even been in government knows what a difference there can be between the way something is supposed to happen -- or is seen to happen from the outside -- and how it actually occurs. Anyone who has seen how administration and management take place knows how hard it is to be sure of what was done by the big name and what can be attributed to the administrative assistant. Beyond these matters, I know I would have found myself troubled by trying to decide who had influenced whom and in what way. There are few relations as many-sided and elusive as those of influence.

It seems a pity we do not have more evidence of this kind of thing, but perhaps not. Considering the number of extraordinarily able and generally articulate people from so many countries who were involved in the Marshall Plan, it is surprising that we do not have a richer literature of a quasi-autobiographical sort with an attractive admixture

of mature reassessment, enlightening revelation, personal judgment of other people, and just plain gossip. Not that there are no serious and interesting issues to be examined. Robert Marjolin speaks of the great influence of the Americans on the process of European integration coming at "the highest point of American power in the affairs of Europe and of the world". He says "the United States obliged the European countries to get together". There was an element of do ut des, but "the most spectacular development" was "when Averill Harriman announced to the O.E.E.C. Council that it must itself formulate recommendations to the American administration as to the allocation of Marshall aid among the member countries"¹¹. In other words, American influence often operated by trying to increase European responsibility.

The experience of others causes them to stress a different aspect. Albert Hirschman says his knowledge of France, Italy, and Germany in the '30s gave him "a natural concern and aversion when Marshall Plan administrators were aggressively pressing their views about appropriate domestic programs and policies upon countries such as Italy that were large-scale beneficiaries of aid. They did so for the best of motives ... but it was perhaps just because they felt thus unsullied by imperialist concerns that the aid administrators thought they were justified when they pursued their objectives in an imperious manner"¹².

¹¹Cited, pp. 17-21. It is important to remember, however, that Marjolin's basic argument goes well beyond American actions in such cases or even being "more European than the Europeans themselves" in support of "efforts ... to unify". In addition, "America's influence was paramount" because its success seemed a model for Europe, its liberalism became a code of conduct, the dollar was the basis of the world monetary system and the United States gave Europe unprecedented security so it could tend to its own development. (Quotations from pp. 14,13,14). There is also a question about the extent to which the United States, especially later on, accepted the European allocation without argument.

¹²Albert Hirschman, A Dissenter's Confession: The Strategy of Economic Development Revisited, prepared for a symposium to be published by the World Bank (1982?).

I recall, though, how often I was told that the national ECA mission in a certain country was more nationalist than the elected government or the local bureaucrats. And then in that country you would hear how little ERP headquarters in Paris understood about the special problems which had to be met. And Paris would naturally enough fight with Washington and it would require a deep knowledge of many things that probably no one had, to say who was really doing what for whom. The position in Germany was different again. Now that I have explained it all, I am rather glad I did not get myself trapped in trying to trace through these processes at the time -- interesting as some of the results may have been.

We come now to what may be sins of commission, issues I took up in the book but perhaps was wrong about. Rearmament is one. I remembered writing a chapter at a late stage, probably after most of the book was done. But I was surprised on rereading to find so many references throughout the book to the damage to cooperation likely to result from the new emphasis on arms. To be sure, it is easy to see why the idea of loading this kind of expense on a not-altogether-selfpropelling and selfsustaining European economy was troublesome and the concerns registered in the book about balances of payments, domestic investment or civilian consumption are not wrong. Neither are those that point to the fact that insofar as the European countries were not yet irrevocably tied into a process of economic cooperation among themselves -- except perhaps formally -- the national security argument provided an escape that was bound to be abused as well as to be hard to contradict¹³. A second strain on European cooperation was that the United States was sure to be the main source of military supplies and of whatever financial aid proved necessary, so it would once again be natural for any European government to deal with Washington instead of with its peers whenever it could. There was no mention of the possibility that

¹³In the discussion previously cited, Eisenhower had spoken of the strong tendency of national military establishments to want domestic supplies of everything possible.

military cooperation might improve the prospects of economic cooperation as the Cold War is often said to have done.

These arguments are not wrong, but was their effect exaggerated? I suspect so, but I have not restudied the problem and cannot be sure. If anyone had asked me a few months ago, before I reread the book, what the main effect of the shift to rearmament had been on the Marshall Plan, I am reasonably sure that I would have said that as American arms aid had begun before normal Marshall aid was altogether completed, it had become hard to tell whether Marshall Aid had lived up to all its plans. In complex economies resources are, to some degree, fungible¹⁴. Certainly if one looks back now it is hard to see more than a minor frustration on the charted course of European cooperation that can be attributed to the impact of rearmament. At least that is true of direct effect; it can certainly be argued that what I am here calling "rearmament", which required German participation, tilted the scales in favor of such projects as the European Defense Community, the European Political Community and the Schuman Plan. Although only the last came into effect, the process -- leading later to the European Economic Community and Euratom -- put Europe on the road to a higher degree of economic integration than was likely to have resulted from the previous emphasis on trade and payments.

The other main fact was that, as we now know, Europe's economy was strong enough to take on some extra burdens and, probably, some further stimulus was involved in arms spending, especially as the United States provided a good bit of the financial support, at least for some time. Finally, what saved the day, at least in the short run, was the fairly quick deflation of the Korean war boom which had led the United States to stress the need for controls at a moment when the

¹⁴I have discussed this issue in greater detail in a paper that I cannot now cite as I am writing away from my sources. This is true of a number of other issues touched on in this paper which I have written about, historically or otherwise, on various occasions without ever bringing all the points together or relating them to the book.

element of liberalization was a major feature of European cooperation.

A rather remarkable example of the conflict between rearmament concerns and the way European countries were guiding their recovery has recently come to my attention¹⁵. It combines well known general factors and some specific activities. Decontrol and currency reform led to rapid growth in Germany. The Korean War caused a raw materials shortage and price rises. The United States led the way toward price ceilings and allocation to insure that materials were not used for inessential purposes and to limit the disruptive and inflationary pressures. Liberalized, growing Germany continued to absorb materials. The American authorities called for restraint and threatened (I think it is reasonable to say) not only a rationing of raw material supplies but the cutoff of aid. The Germans felt their whole approach through Sozialmarktwirtschaft was threatened and tried to get out of the difficulty by asking a committee made up of private businessmen to allocate raw material supplies so that the Americans got some assurance that the profligate use of scarce supplies would not continue while the German government was able to keep its hands clean and, as far as possible, its policies intact. Had I known of this exchange, I would certainly have cited it as evidence of the disruptive effect of rearmament (not a pure case, to be sure) and a threat to cooperation. If this last is not clear, consider that this raw materials boom coincided with -- and of course contributed to -- the German EPU crisis. But the EPU authorities, following the recommendations of Cairncross and Jacobsson, stuck with the liberal line, eschewing controls. The American approach -- if the documents cited give a complete picture -- totally ignored the EPU, the OEEC and the whole dimension with which this paper is concerned. Somewhere here there is a lesson; but what it is I cannot tell without knowing more.

¹⁵ Werner Abelshauser, Ansätze 'Korporativer Marktwirtschaft' in der Korea-Krise der Frühen Fünfziger Jahre; Ein Briefwechsel zwischen den Hohen Kommissar John McCloy und Bundeskanzler Konrad Adenauer; Vierteljahrshefte für Zeitgeschichte, pp. 715-756 (1982?).

It seems likely that the dissipation of the Korean raw materials boom would have more or less taken care of these problems. That would not have kept me from pointing to the German solution -- the private industry committee -- as one more example of the cartel-like activities that threatened to make public liberalization possible because private restrictions took over and prevented the shocks (and the gains) that would come from the kind of liberalization that increased competition -- which was assumed in the doctrine but not always evident in the practice. It would have joined company there with what I think, on rereading, amounts to a fairly impressive list of cases in which the natural instincts of businessmen to suppress competition -- unless they can beat out the pack -- threatened to frustrate the effort to increase Europe's efficiency and competitiveness by enlarging the internal market. Nor was I alone in my concern with the cartel problem, as several references in the book show. The issue was on all of our minds as the result of interwar experience. We made a first effort to deal with it internationally in the ITO. It was a subject of concern in occupation policy in Germany and Japan. Measures to foster competition were written into the Marshall Plan legislation.

Then, somehow, the cartel issue seems almost to disappear. What happened? I am not sure. Was the whole thing an American illusion? Did the antitrust approach take sufficient root in Europe so that new laws -- as in Germany and Britain -- held back businessmen? Or did restrictive practices go on more or less as before? As the book points out, evidence in these matters is hard to come by. Maybe the private business agreements helped make the removal of barriers within the Community less troublesome than was expected. Were they, in some sense, the vehicle for the development of that intraindustry specialization which has supposedly been such a benign factor in making Community "free trade" both productive and non-disruptive? In contrast, did they contribute to preventing the Coal and Steel Community from creating a true common market

-- and a competitive one -- and thus also play a part in the decline of the separate national steel industries? Or did the cartel-making tendencies lose their force, either because times were good and entrepreneurs could gain more by Schumpeter's creative destruction than by risk aversion? Perhaps it was the extensive removal of official trade barriers -- always the strong right arm on which cartels depended -- and the expansion of the area of competition that put a ceiling on the cartel movement. Without any doubt the great growth of international direct investment (one aspect of the growth of truly multinational enterprises) made it difficult if not impossible to organize cartels that would pay. Raymond Vernon -- who at the time I am writing about was a key figure in the State Department's work on international business practices and, I believe, wrote some of the warnings about the Schuman Plan -- has since shown very well how the world economy has shifted from one with many private ententes toward one dominated by global competition, albeit often oligopolistic. That suggests that still other problems lie ahead of us, as I believe to be the case, but this is not an essay on future problems. The basic question for the past is "What happened?" I hope that some historians will tell us¹⁶.

Customs unions occupy a surprisingly large place in my book. That is partly because I did serious work on Benelux and read the documents about Francital (who remembers that acronym?) and the other efforts and that was more than most people did. Customs unions were something new to students of current economic policy. Everybody knew about the Zollverein, but that was history, and the conventional wisdom was that almost no countries were likely to form a customs union except if very small ones attached themselves to others (like Luxembourg and Liechtenstein) or if there was a dominant partner, as Prussia had been. The customs union provisions in GATT and the ITO were there because customs unions were conventional

¹⁶ Perhaps this has already been done. Remember what I said earlier about my not having kept up with the period. I should be glad to receive references.

exceptions to MFN and it seemed like a good idea to have some rules for them, not because people expected Europe to form one.

How does it happen then that the United States became an advocate of a European customs union -- if that in fact was what Clayton's "friendly advisers" suggested to the Europeans in the summer of 1947? To be sure, a key issue in moving from the Articles of Confederation to the Constitution in 1789 had been internal free trade and a common tariff but one could hardly call the United States with its strong central government a customs union. Perhaps others have turned up interesting material unknown to me but otherwise I suspect two simple points explain the matter. In general terms the Americans were looking for broad, loose examples of some long run target of cooperation -- though I feel sure they really did not mean to tell the Europeans how they had to organize themselves. More concretely and immediately, the Americans were making it clear that they would flatly resist preferential tariff arrangements as a satisfactory response to Marshall's call for cooperation; they suspected, and probably rightly, that this was one of the first kinds of cooperation that would commend itself to the Europeans.

Then the well-known question arose, whether the Americans were logical in favoring what could be called 100 per cent preferences but not lesser ones. The arguments are all laid out in Trade and Payments; the background of this attitude in the United States need not be gone into here. Not many Europeans wanted to have a customs union for the whole area. But in the very special circumstances of Western Europe, with all sorts of activity on trade and payments under way, customs unions -- and their cousins, free trade areas -- were bound to come into clearer focus and be seriously considered. Was it sensible then for me to say -- in what must be one of the flattest statements in the book -- that a European customs union was about the least likely outcome of the efforts to cooperate? To those for whom the European Community is a long-established entity (and one sometimes decried as being little

more than a customs union) that must look like an awful howler. Perhaps it was. It is partly a question of how far ahead I was looking and that is not at all clear to me now, I have no interest in trying to defend this old judgment. Still, much time passed before the Common Market was formed; it included six nations not all Europe; they said they were forming more than a customs union: and they were building on an older piece of quite radical sectoral integration. Most people even thought the next sectoral step, Euratom, was more important than the Common Market. So this later experience really raised two questions discussed in Trade and Payments: How far toward economic union did governments have to go to make customs unions work? Would unions of a few countries become building blocks or stumbling blocks for all European activity? I am inclined to say that those questions have not altogether been disposed of. Time has, however, certainly supported the book's judgment that although there was a logical case for saying that a customs union would only work satisfactorily if it led to a full economic and probably political union, "it is reasonable to suppose that a customs union could be formed that might be operated for a long time on some basis short of this" (p 401). But a long time is not forever.

I am inclined to leave the matter like that. One might note, though, that a good bit of this customs union story could be told in terms of the United Kingdom. There was much of the validation for my statement of how unlikely a Europe-wide customs union was. On quite a few other issues something similar is true. The book makes this clear and devotes quite a bit of attention to Britain at many points -- more than I remembered. But should it have dug deeper into the roots of British attitudes and the problems of the British economy -- and of foreign policy? Would there have been any clues to help us understand the next decade? Was there anything that might have been done in this period that would have altered the British approach? There was still some kind of special relation with the United States and it occasionally came into play in European matters (see the episode of Harri-

man and Cripps and the drawing rights touched on on p.67). The two governments were often enough on opposite sides and not very happy with one another; expectations and perhaps some relations had soured with the convertibility provisions of the loan agreement that was to have played such a key part in global economic reconstruction. But they still worked together on many basic matters; the British saw themselves as still a global economic power in a sense that no Continental country was (though the French sometimes made this claim for themselves vis-à-vis the other, Continental countries mostly because of colonies). I find that it is not always realized how much the American picture of a liberal multilateral postwar world economy assumed that Britain would play a key role not too different from that of the past. The realization that this was not to be came piecemeal, I believe, but I have not been able to reconstruct the process for this paper. Certainly, quite a few people in both countries had to be aware of the new situation before governmental approaches could change. But in these early days, possibilities seemed open; part of the American crossness with a number of British decisions was, I think, stirred by what seemed to be the unwillingness of the British to do things that were within their power if they would only take more risks and alter some of their ways of looking at things.

There was even the possibility -- I do not think it was an American plan or proposal but the idea existed -- that Britain could lead the process of European cooperation and that that would mean that -- for some time at least -- Britain would be the leader of the new Europe that was bound to emerge. That this would have been a different Europe from the one that we have known goes without saying. But could there have been that kind of British leadership, in 1945 or 1946 or 1947 or even later? "We were many in France and in the other European countries who were ready to accept it; who even yearned for it", says Robert Marjolin¹⁷. What do the

¹⁷Cited, p.23.

historians say?

Let me close this rather long section with the mention of one more topic. I was pleased on rereading to find it was not only a prominent theme in the book but one that was set forth clearly and with what I still think was about the right emphasis. I am referring to the interplay of Western European economic cooperation and Europe's place in the world economy. The issue was very important at the time and I think still is. Earlier in this paper I spoke of the efforts to create a global, multilateral system of economic cooperation and of the question whether cooperation confined to the countries of western Europe would be compatible with progress on a wider front. That was not just a question of technical matters, such as how to relate discriminatory trading arrangements to GATT and the ITO, or what degree of currency transferability could exist at different levels. It was a question of what would happen to the Western European economies. If they were sheltered from international competition would they become weaker instead of stronger? If it was easier to meet payments in European currencies than dollars, would that perpetuate inconvertibility? All these matters are laid out in the book and I have nothing to add to them. There were serious doubts in many parts of the US government about these matters and the doubts gave rise to quarrels as is likely to happen in bureaucracies. No doubt there were more vivid tales than I told as I had only the external appearance to go on; now the documents should be available and I hope historians are seeing what they can find. There are also still quite a few of the participants around who can surely be persuaded to talk if not to write. Perhaps that is all adequately taken care of -- as I said earlier, I am no longer well informed on these matters.

More important than victory for those with confidence in the European economy is that it looks as if the gamble had been won, insofar as it was a gamble, in American policy. The disappearance of the EPU shows that the creation of the EPU was a wise move; the acceptance of the slow removal of quotas

led to their being removed (for the most part); the Community was able to contribute to the success of the Kennedy and Tokyo Rounds of trade liberalization. There are, to be sure, questions about what the codes on subsidies and other matters worked out in the Tokyo Round will amount to and the European attitude will be crucial in these matters, but the difficulties do not stem primarily from the processes started in the late '40s and early '50s. So far as I can see, much the same obstacles to dealing efficiently with nontariff barriers arise within the Community, though they can be handled somewhat differently there.

If this paper had been written around 1970, one would have added with confidence some words about European industry's success in world markets as a demonstration that no harm had been done by the period of shelter from international competition and discrimination against the United States. Today it would be difficult to make flat and sweeping statements about that competitiveness. But I think it would be equally difficult to lay the blame on events in the past we are talking of -- or at least the principal blame. When it comes to agriculture, matters are quite different -- in fact, they are so different that I cannot enter into the matter now. In Trade and Payments, I find many clues to our present plight. Even then there was talk of a green pool and the line to the CAP is clear enough. I remember very well saying to our then Ambassador to the Communities, "Do we really have to support these efforts so strongly? There is nothing the Community governments can agree on in agriculture that will not cause trouble for the United States". Americans of a certain age should understand these matters if they paid attention to their own farm policy. The CAP measures are in some ways more elegant than anything ever achieved in the United States; but the basic politics and the economic consequences do not differ so much from place to place. It is the Europeans who pay, naturally enough; but it seems best to leave these issues aside for now.

I will add one piece of evidence about how basic to American policy and thinking was the relation of European cooperation to global cooperation. During the war, a number of ideas about Europe and sometimes rather elaborate proposals, were discussed by Americans concerned with the postwar settlement. Apart from the merits of schemes for building electrical grids (sometimes with the aim of making Germany dependent on outside controls), a TVA for the Danube, federations in the Balkans, single corporations to administer European transport and, of course, customs unions, there were seen to be larger questions. On July 13, 1942, at a meeting of the Economic and Financial Group of the War and Peace Studies Project of the Council on Foreign Relations, Winfield Riefler, a gifted and experienced economist who had much influence although he published little, said that in discussing such matters "we should keep a clear distinction in our mind between unifying Europe behind some kind of barrier, and breaking down the barriers within Europe". In the discussion that followed, some interesting points were made which, if I were writing history, would have to be set out and discussed. "The Research Secretary was instructed to prepare a brief memorandum ...". I did so in time for the next meeting on August 10.

There was another discussion from which the following extract is of interest: Benjamin V. Cohen, one of President Roosevelt's most influential advisers and one of the few early New Dealers to take a key interest in foreign affairs later on (he became Counsellor of the State Department under Secretary Byrnes) said that he "felt uncomfortable at the idea of the United States standing against the creation of a bloc not much more autarkic than we ourselves are. There are advantages for the Europeans in the large market even if they have a high tariff against the rest of the world. One has misgivings in saying that it is dangerous for others to be in the same position as the United States. Mr Riefler thought these worries less serious than the alternatives of an armed autarkic America and an armed autarkic Europe facing one another".

The memorandum was held over. About a month later, on September 14, 1942 it was approved (I imagine there had been some further informal discussion but have no record of it).

The final text focused on the issues of trade and autarky and stressed the difference between the breaking down of barriers within Europe -- which was essential to European unification and would be economically beneficial -- and the kind of barriers to trade with the rest of the world this Europe would have, where there were some serious alternatives. High barriers would make for autarky, be economically costly to Europe and "always be a potential danger to the United States. It would be a concentrated power unit which might be seized by another Hitler or some other power hostile to this country and made the basis of an aggressive war machine".

The paper concluded:

The United States should favor economic unification of Europe only if steps are taken to avoid the creation of an autarkic Continental economy. Positive American policy should aim at the interpenetration of Europe's economy with that of the rest of the world, as well as a lowering of economic barriers within Europe. To be successful in this course, the United States must work for the reduction of trade barriers against European¹⁸ goods throughout the world, including the United States.

By the time of the Marshall Plan, no one was thinking much about European autarky or an undue concentration of power in Western Europe. More to the point might have been a remark by Alvin Hansen, the leading American Keynesian, not often given to large pronouncements on international politics, who at the July 13, 1942 meeting, "reminded the Group that the USSR would have to be considered. It is conceivable we would want a strong Continental European bloc to check that country".

¹⁸Council on Foreign Relations. Studies of American Interests in the War and the Peace. Economic and Financial Series. No. E-B 56. American Interests in the Economic Unification of Europe with respect to Trade Barriers; September 14, 1942; mimeographed. This collection of papers has been in the public domain since about 1946 and can be found in some 50 libraries, mostly in the United States. The quotations from the discussions were made public much more recently and can be found in the Archives of the Council on Foreign Relations in documents with similar series titles to those of the memorandum but marked E-A 32, July 13, 1942 and E-A 33, August 10, 1942.

But I do not think that this old memorandum was very much on people's minds during the global-regional debate of 1947-51; I did not think of it myself when I wrote my book. In part that may have been because the basic ideas, and especially the economic ideas, were so widely accepted by Americans concerned with these matters.

4. THEN AND NOW

NOTE TO READERS: As time was short to finish this paper while travelling, I left this section to the last. It would be almost certain to take up any time available because it concerns major current issues, the unfinished business of international economic cooperation. Many of these are matters on which I have worked in recent years so I am always tempted to lay them out in detail even though I have written about them in other places. Just how they can be linked to the experience of Western European economic cooperation in the period of reconstruction is often a complex matter and there is a question whether such links should be forged at all. That, too, encourages discursiveness. It was clear there would not be the time needed to work through all these matters and then condense the exposition to a decent length. In the end, the reader has been spared because time ran out. The best I have been able to do is to raise about half a dozen points without saying much about them. What you find is almost a series of telegrams with roughly parallel organization. First I state what seems to me to be a major current problem. Then I comment briefly on some of its key aspects. Finally, I ask -- or suggest -- how it relates to the period covered by Trade and Payments. The method is not likely to settle much, but it should provide a basis for discussion.

1. At least since the end of the Kennedy Round it has been clear that the major factors blocking or distorting international trade outside the developing countries were the so-called non-tariff barriers and related government practices concerning subsidies, preferential government procurement, etc. The Tokyo Round made significant progress in drawing up a number of codes for dealing with these matters but their real significance remains to be seen; they will be what governments make them. The old methods of reciprocal bargaining to remove (or tolerate) barriers that served well for the reduction of tariffs and the removal of quotas have only limited application to the new problems. Initially, one sees little in the OEEC and Marshall Plan experience that would help very much; as in more general negotiations, NTBs etc. were left largely out of account because the familiar and more visible barriers had to be dealt with. There may, however, be something useful in two lines of inquiry. (a) In the setting of European recovery, the close connection between a country's domestic

economic policies and its foreign trade and payments was generally recognized. This is a key element in dealing with many subsidies and other practices (including various aspects of national industrial policies) and is one that does not find as general acceptance as will be necessary if traditional trade negotiating arrangements are to become capable of dealing with these barriers. (b) In the parts of the European experience that I did not study as closely as the liberalization of trade and payments, such as relating national investment programs and other recovery measures to one another, how much attention was paid to the future trade consequences or, for that matter, to the kinds of national measures that ought to be called for to make the new industries viable without competition? The general impression has been that there was no great success in these matters; if so, is that in itself significant, as a warning or lesson? Even if there was no general success, are there instances of these matters being handled in such a way as to give us some clue as to what might be done nowadays?

2. Many contemporary international economic problems are expressed in terms of the difficulties of particular industries or sectors -- textiles, steel, automobiles, shipbuilding. National industrial policies often single out certain industries and major government programs frequently concern only one industry. There are many deficiencies in this approach, especially since basic troubles often reside in the relation of one industry to the rest of the economy. It is easy to see, though, why matters are handled this way and will continue to be. In the OEEC (and related GATT activities) the approach to trade matters was across-the-board, permitting the traditional kind of bargaining in which a country opened its markets to certain products in return for better access to foreign markets for quite different products. Subsequently, a sectoral emphasis in international trading arrangements has usually meant extracting the industry, or its products, from the normal processes of trade liberalization: agriculture, textiles, to a considerable extent energy and, more recently,

steel and automobiles, as well as many less important products that for some time are subjected to special arrangements that restrain trade to mitigate competition. This has to be seen as the deterioration of the system, not the substitution of something better. However, it has long been argued that it should be possible to make agreements about individual industries or sectors that would combine temporary protection with adjustment measures, burden sharing arrangements and the like that would produce mutual economic advantages in the end while making the processes of change politically and socially acceptable. Or, it has been argued, by looking at the structure and interrelations of an industry in several countries it should be possible to work out arrangements that improve the division of labor, raise productivity, avoid wasteful duplication in investment and cope with common problems more efficiently. These arrangements were not unknown in Europe during the recovery period; they found a place in some discussions of functionalism, in ideas about transport, in the Stikker Plan which is discussed in Trade and Payments and then in the Coal and Steel Pool and the CAP. But there is not much evidence that that experience has provided helpful models for contemporary problems. Or are there aspects that have escaped my attention? A few items have spilled over; Stikker called for a European Integration Fund to help finance structural change; on July 20 of this year the Commission of the European Communities sent a communication to the Council on "Increasing the effectiveness of the Communities' Structural Funds"¹⁹. But the industrial world's record in these matters is not very good. Probably the disappearance of the Stikker Plan was mainly the result of the concentration on the Schuman Plan, but maybe it was also the result of explorations that showed how complex the integration of any important sector might be. Perhaps it exemplified a point a French minister of industry once made to me, that governments are unwilling to act internationally on such matters until the situation is very difficult. And we know what happens if cooperation comes

¹⁹Bulletin of the European Communities, Supplement x 3, 1983.

only in dealing with industries that are sick in all countries.

3. Whether one speaks of common purposes or the sufficient satisfaction of the needs and interests of enough individual countries to keep them engaged, cooperation depends on the willingness of governments to adapt their actions to certain standards or rules. There appears to have been a considerable decline of this willingness among leading countries over a considerable period of time, probably dating since the late '60s. One can make good arguments as to why it would be very damaging to let this process continue and why there should be a broader recognition of the national interest these countries have in preserving an international economic system that relies heavily on cooperation. It is, however, far from clear that this recognition is likely to take place or lead to sufficient changes in behavior to stop the process²⁰. At the time of the Marshall Plan, the common interest of the Western European countries in recovery and in American aid was plain enough. Even so, it seems to have required some pressure from the United States to get the cooperative processes to the point at which they made some serious contribution to the economic welfare of all the countries and, eventually, became self-sustaining. There is no such external pressure on the main industrial countries now. Does that mean that the earlier experience is wholly irrelevant? Or can it be argued that the earlier period shows that even at a late stage of a problem, if there is a sufficient perception of a threat, unprecedented efforts will be made -- in that case in the United States as well as Western Europe -- that have a good chance of reinvigorating cooperative processes? In the earlier case it was not reinvigorating but creating the cooperative processes. Was that perhaps easier than what is called for now? One disadvantage of the present situation is that we have lived so long

²⁰ I have discussed this process at greater length in the article cited earlier in Foreign Affairs, Fall 1983.

with a cooperative system that much is taken for granted by people who do not realize how much attention these activities require to remain in working order. A second disadvantage is that the imperfections and inadequacies of the system get more attention than what it accomplishes and this breeds cynicism, a sense of injustice, and a feeling that when necessary one is entitled to make exceptions to the rules on one's own behalf since that is what others do. At the earlier time, there was worry about embarking on unfamiliar commitments but there was no record of weakness to focus on (except in what was being done without the cooperative arrangements) and there was sometimes hope. Or does the asymmetry of the American-European relation in the Marshall Plan period make its "lessons" -- if any -- irrelevant to the present problems of cooperation among a number of economically strong units? What weight do the current asymmetries of military power have in this matter?

4. A serious difficulty in showing why it is important to preserve the cooperative system is that that system, as it has been, is plainly inadequate to deal with many of the major problems facing governments. GATT has not been given jurisdiction, much less power, wide enough to cope with all the trading problems that have accumulated²¹. Although the International Monetary Fund seems to have gained support and strength in dealing with the debt crisis of developing countries, its voice in the affairs of the richer countries is still quite limited and their existing monetary arrangements are clearly deficient. (Reference to international organizations is just shorthand; these bodies are intergovernmental and the major governments have not been willing to work through them or around them in these matters).

The world was not full of free traders in 1947 but the argument that removing barriers to trade and payments was

²¹ These problems, the weaknesses of the trading system and what might be done about them are examined in Miriam Camps and William Diebold; The New Multilateralism; Council on Foreign Relations, 1983.

essential to European recovery (and maximized European self-help) did not necessarily lead to the indefinite continuation of liberalization, much less free trade. So there could be agreed action without commitments concerning the ultimate state of affairs. The world is not full of free traders in 1983 but trade, at least among industrial countries, is much freer than it has usually been. The relatively low levels of tariffs do not tell the whole story, however, since there are not only clearcut nontariff barriers and the assorted quantitative restrictions referred to above but also any number of governmental measures that affect the pattern of world trade, whether they bear directly on trade or investment, the structure and operation of the national economy or, sometimes, fiscal matters. Most governments follow selective policies in trade and often combine them with measures that can be summed up as industrial policies which seek to resist change, adapt to it, or bring it about.

This combination of circumstances not only overflows the past cooperative system, as was suggested above, but makes it very difficult to find common standards on which governments can agree. Further complicating matters are differences among countries in the actual, acceptable and hoped-for place of the government in the economy; this affects concepts of fairness in trade, of competition, of the way government-owned enterprises should conduct themselves and of the usefulness of trade rules based on the assumption that government intervention in the economy, ipso facto, raises the question of fair trade (and if trade is not in some sense "fair", it is not clear why it should be freed or the resulting foreign competition adapted to -- at least according to neoclassical economic theory).

It seems to be stretching a point to worry whether the Marshall Plan experience is relevant to all this but there is one thought that may be worth some attention. The trade and payments measures of the period we are talking about -- like many other things the European governments did -- always

had to be justified in terms of their contribution to recovery (or specific aspects of it). Although one might expect foreign competition to strengthen an economy, no one would push for a degree of liberalization that left that country with an unmanageable trade balance. There are no such common objectives today but up to a point it can be argued that the application of the subsidies code, for example, may have to focus on the results of various actions for a number of countries rather than either the form or the amount of the subsidy (by rough analogy with tariffs). This is obviously neither an adequate substitute for all trade liberalization objectives nor a standard that lends itself to clear prescriptions and criteria. Perhaps it cannot be applied in general but only to cases. It may not even be worth pursuing.

5. It is not only the international economic system that has altered since 1950. National economies, especially those of the industrial countries, relate to one another in quite different ways from what was assumed in the thinking that went into the Bretton Woods system. All the well-known factors that are summed up by "interdependence" make for something quite different from "international" economic relations. The ability of governments to do some things on a national basis has decreased; this has not often led them to pool resources and sovereignty to regain power on an international basis, which was one of the underlying arguments for European integration. The costs of trying to regain freedom by reducing interdependence vary greatly from country to country. The United States is not nearly as protected against the pressures of interdependence as it used to be; the "international sector" of the country is far larger than is often realized. In Europe the situation is complicated by different degrees of interdependence: within the Community; the Community with the world; individual countries with the world. It can be argued that interdependence is reversible because national interests can be clearly enough defined so that

strong governments can keep the support of their people in making economic sacrifices to limit interdependence in the interests of gaining a freer hand to do certain things. This seems like a good subject for historians since, mutatis mutandis, this kind of thing has happened before. But do we get any help from the Marshall Plan experience? The aim of Western European cooperation then was to increase interdependence for the sake of the economic gains it would yield. There was opposition on national grounds and sometimes the objection was that a government's hands would be tied when they ought to be free (as in some customs union discussions) or that concentrating on European cooperation risked losing the advantages of action in the wider world (Britain on some matters). The contrasts with now seem to be stronger than the similarities.

6. As the last few sections have shown, it is questionable how useful it is to try to find links between the basic problems of today and the experience of European cooperation in the Marshall Plan years. I shall, therefore, simply raise a few more issues and leave them for others to work out.

The Marshall Plan was based on the belief that Western Europe could be a strong factor in the world economy but only after its recovery had been carried much further than it appeared to be in the bad winter of 1946-47. Then cooperation was seen as a necessary condition for recapturing this strength. After the Marshall Plan, the self-propelled European integration was generally regarded as likely to contribute to the strength of Europe's position in the world. This seems to have happened but an ambiguity arises as to whether this strength is based on the Community acting as a unit or on the economic strength of member countries. Only part of that strength comes from European integration. Most of the Community countries are also deeply involved in the world economy through national transactions which presumably

contribute to their economic strength. Except when there are clear-cut advantages resulting from differences in the way members of the Community treat one another and how they treat the rest of the world, it may be hard to know how much comes from one source and how much from another. The slowing down of integration in recent years seems to be linked sometimes to the unwillingness of members of the Community to give up their ability to handle some relations with the rest of the world on a national basis and sometimes on unwillingness to accept sharper competition within the Community or to lose powers over elements of national industrial policy. It would seem to be a question of history to clarify these points which are also full of implications for the way contemporary problems can be dealt with.

7. With regard to contemporary problems, it is probably well known that the Community is widely regarded in the rest of the world -- perhaps I should confine my remarks to the United States, but it goes further -- as much more likely to be negative than positive when new measures of international cooperation are proposed and, in general, to find it easier to say "no" than "yes". Those who study the Community's decision-making and negotiating processes explain matters in these terms but also report that what is done is heavily colored by the political relations among members of the Community. A second source of negativism is the difficult situation all countries have been in in recent years. But there seems to be something more, a sense that there are deep, longrun factors that will lead Europe to resist anything like further trade liberalization -- or the broader kinds of understandings I have suggested are necessary. Behind this feeling are a number of factors. There are all the forces that try to preserve the status quo or their own position. But it is argued that Europe can better adapt to the changing world economy if it can limit foreign competition while it effects the changes in its own industries that will make it competitive with all comers. Yet another strain

suggests that competition with Asia -- or eventually the whole Third World -- is incompatible with the preservation of Europe's economic and social values and so must be controlled indefinitely. That raises the question whether there is sufficient dynamism in the European economy to initiate, and sufficient competition to sustain, the changes that will be necessary to keep the Western European economy as productive as the people of Western Europe will want it to be. Those who answer this question affirmatively usually rest their case on the size and diversity of the European economy and on the attractions it offers foreign investors and sellers of technology. There are overtones here of the debate about a protected Europe becoming uncompetitive in the early '50s. But are there enough similarities to make this a useful comparison?

8. Obviously, the United States is in a different position from that of Marshall Plan days. The main points are too well known to need repeating; the range of possibilities is too complex to go into here. A few flat statements -- tilted toward the broader subject of this paper -- sum things up. The United States is in no position, economically or psychologically, to accept with equanimity any largescale and continuing measures by other industrial democracies that seem to discriminate against it in damaging ways. A sensible American policy will press for a reinvigoration of international economic cooperation; with as much emphasis on the extension of cooperation as on the reinforcement of existing arrangements that have eroded and weakened. There are strong forces in the United States working against such an approach. How far the United States will, in the end, go in this direction depends to an important degree on what other leading industrial countries, notably Japan and those of the European Community, are willing to do. The sense of frustration and unfairness that fueled the unilateral actions of 1971 that threatened to undermine the whole system of international economic cooperation are not dead and would be brought to the surface by a number of different processes.

9. Although part of the story of the success of Western European cooperation in the Marshall Plan period involves its proving to be largely compatible with the system of multilateral cooperation that has been built up, the general issue is not altogether a thing of the past. The difficulties encountered in recent years in securing effective multilateral cooperation, at least among the whole range of industrial countries, have raised the question whether a few countries -- perhaps sometimes only two -- might not find ways of dealing effectively with problems that the larger group could not yet agree on, and if they could do this in ways that strengthened instead of weakening the international economic system. Obviously the situation is tricky; bilateral and other discriminatory arrangements have been the bane of multilateral cooperation. Nevertheless, the choice may be between dealing with some problems on this narrower basis or not at all and then whether these steps can be taken in ways that even encourage others to join in the process ²¹.

There is then the question who might be the countries taking such action. Different combinations are possible for different issues. In terms of this paper, all that need be said is that unlike the situation in 1947 there is nothing inevitable in the American-European relation. None of the situations peculiar to that time still exists. The two areas are less important to one another economically than they were ²². For the United States both Japan and Canada have particular economic importance and present both difficult problems and opportunities for new understandings. If the negative view of Europe suggested above proves correct, that will further reduce the possibilities of progress on a general multilateral basis and increase the pressures to deal

²¹Camps and Diebold, cited, deals more extensively with these issues, especially in the section on "selective action".

²²Military and political importance are something else again, but it is too late in this paper to try to work out a rounded treatment of these factors as well.

with problems otherwise. As has been said, the risk that this will be done in ways that sharpen conflict and add to the deterioration of the international economic system is considerable. The only real safeguard against it is the widespread conviction that the broader system of cooperation is worth preserving and broadening even if not all countries can march in step. In a way, American acceptance of such a possibility was a key factor 30-odd years ago. It is far from clear how things stand today.

10. Most of the problems mentioned in this section can be thought of as aspects of the difficulties the world is having -- and perhaps especially the industrial countries -- in coping with great structural changes. These are of many sorts and have become more pressing once the growth of the '50s and '60s slowed down, macroeconomic policies stopped working in a generally satisfactory fashion and the prospects for the future became dimmer. These developments hardened resistance to change just when failure to make changes became more costly. It put a strain on the system of international economic cooperation that threatens the existence of the system. Here we come to a possible comparison with the earlier period we have been discussing. Alan Milward has pointed out that the war brought great structural changes in the world economy so that when countries began dealing with the postwar situation they faced problems beyond their power of adaptation by normal means. It was also not something the new international economic organizations could cope with. As he says, "The intermediary institutions proposed by both the United States and Britain as an essential part of any new multilateral payments system were not of a scope able to deal with such a massive disequilibrium"²³. This is quite right, it seems to me, and a more meaningful way of putting the basic issue than to speak simply of a dollar

²³ Alan S. Milward, War, Economy and Society 1939-1945 (University of California Press/Allen Lane, 1977). I think time has shown that this did not mean the Fund, Bank and GATT had failed as Milward suggests. Why the problems of the transitional period -- or the dimensions of recovery -- were not seen more clearly is a complex question that I believe to be related primarily to other matters than the creation of these bodies -- but that is another story.

shortage. It is also the reason why the Marshall Plan was invented only after some \$ 10 billion of American aid to Europe had proved inadequate. It also goes far to explain why Western European economic cooperation seemed such a good idea and maybe why the Europeans later turned to their more ambitious plans for economic integration.

5. FINALE

As I have run on, garrulously but sometimes abridging great and complicated matters to the point of distorting them, I have been drawn into so much detail, and so many special subjects, that I have probably said too little about the temper of the times, about those early days of Western European economic cooperation and the American effort to foster and aid it. They were exciting, they were interesting and one felt that important things were happening. It would be banal to quote Wordsworth on the bliss of living at the moment of the French Revolution -- and it would be wrong besides. No doubt there were people who felt that way but most of those who were dealing with the kind of issues discussed in my book -- and concerned with those details whose importance I mentioned earlier -- had to have a sense of the practical and had to deal with workaday matters but at the same time could do the unprecedented and could have dreams even if they could not safely walk in their sleep.

A good parallel -- and a fine old one -- is suggested in a passage that one of my sons, an art historian, has translated for me from an account of Europe in the time of Charlemagne:

It was the custom in those times, when any work had to be done by imperial command (e.g., bridges, ships, passageways or the cleaning or covering or finishing of public paths) that the counts executed them through their deputies and attendants, at least for small projects. For large ones, however, and especially in the case of new buildings, no duke, or count, or bishop or abbot was able in any way to secure an exemption. Indeed, the proof of this practice is in the arches of the Mainz bridge, which all of Europe truly completed through communal work of a most regular perfection. But the fraudulence of certain malevolent men who wished to collect unspeakable(?) bribes for the passage of ships destroyed the bridge. ²⁴

²⁴Notker the Stammerer, Gesta Karoli Imperatoris; trans.: William J. Diebold, lightly edited by me at the risk of departing from the literal. W.J.D. remarks that tota Europa is an unusual expression for the 9th century; it would be more common to list the countries.

The work of tota Europa has not been destroyed; the arches have not fallen, whatever other damage the fraudentia of the malivorum has done, and that is largely because of the doggedness and skill of the artisans of cooperation -- and no doubt the inspiration that moved them as well. But their achievements are threatened. I cannot now enter into that set of problems, vital as it is. But I can say that there are two basic or pervasive factors that make us less able to deal with the current threats than were those who began the processes of European cooperation and American help and also faced great difficulties. One is that they quite generally recognized that they were up against great pressures and were in considerable danger; or so they believed, and that came to almost the same thing so long as fears and facts were not too far out of line. Maybe a comparable consensus is developing today but it is not yet here and far too much is taken for granted that can be sustained only by great attention and effort.

The second factor is that in those days all sorts of ideas were not just in the air but talked about -- and for the most part thought about -- by serious people. You might not believe that such big changes could be accomplished, but it was not foolish to ask "What if ...?". Great statesmen played with large ideas but so did lesser mortals, not just the idealists, nouveau nés (intellectually) and those in need of a piece for a feuilleton, but fairly stodgy people, often staid businessmen and conservative politicians, who might not know the ramifications and subtleties of the ideas they were voicing but who felt the need to find new ways. We do not have very much of that sort of thing these days. If we do not develop it, we shall -- it seems to me -- succumb to a deep conservatism of mood that is at the same time extremely shallow in its understanding of the state of the world and that will almost certainly be self-defeating. What it aims to preserve will be lost.

One expression of the current inadequacy of thinking, understanding, and response to reality is the call for new Marshall Plans. We hear this all the time in the United States and I suppose you do in Europe as well. Central America, Latin America, the Third World generally, Poland, Eastern Europe as a whole (at least, once upon a time), cities, poverty, minorities, almost any problem that is big enough to get a good deal of attention will be proposed as the proper target for "a new Marshall Plan". And this is not new; it has been going on for years. It was natural for those first concerned with the developing world to speak of the Marshall Plan's success as the model; it took time, failure, disillusion and simple analysis to show why this was not only a false but a dangerously misleading analogy. The demonstration has to be given over and over again. It is the more urgent when not only the underlying economics but the basic political conditions are completely different from those that made 1947-51 -- to carry matters no farther -- basically a success story. Just last summer Robert Schaetzel, who lived through all this in the State Department and later as the US ambassador to the Communities succinctly spelled out the fallacies of talking about a "Marshall Plan for Latin America"²⁵. Similar correctives are needed to rebut the recurrent argument that the way to deal with strained relations between the United States and Western European countries is to have lectures and courses about the Marshall Plan.

It is, of course, a tribute to the Marshall Plan and the related European effort that this banality should have become so egregious. But it is a failure of understanding to suppose one is saying very much by repeating these words. Unique is an overused word but a correct one for the world of 1947 and the relations between the United States and Western Europe. That does not mean that some conditions may not repeat themselves, or come close enough to amount to the same

²⁵ J. Robert Schaetzel, Latin Marshall Plan?, New York Times, August 4, 1983. Op. ed. page.

thing. There are, surely, some lessons that can be applied or that point to what one ought to try to achieve if a Marshall Plan approach, mutatis mutandis, is to be tried. Schaetzel underlines what may be the most important: "The lasting benefits ... came about through enlightened West European initiatives and leadership". For that leadership to appear required special circumstances. Whether the same impetus still exists in Europe is a question; on the answer may depend the outcome of some troublesome issues mentioned in the last two sections -- but they are not the subject of this paper.

In other words, this is an historical paper and part of the history it deals with is my book. I have no difficulty in leaving it to others to say how the book should be regarded as history. At most that is a byproduct of the work I thought I was doing. But you have put me in the position of also being an historian about my own history, or parts of it. That cannot be done in one essay as the scattered nature of the comments in this one shows. Again, I have to leave it to you to see what this effort amounts to. I remarked, however, on an earlier page, that you were not the first to treat the book as history and it is on that note that I should like to conclude. Two people have been ahead of you.

Robert Marjolin, in the lectures from which I have already quoted several times, said some very kind things about Trade and Payments and let references to it take the place of his own accounts of some matters. I reminded him afterwards that he was in fact one of my major sources for that book, having spent time with me on many issues and encouraging members of his staff to talk freely with me. So up to a point he was approving his past self as well as me. But who knows where that point is? Until I got your invitation, Marjolin was, so far as I knew, the only person in years who had read my book. If he thought well of it -- having been in the center of almost all the events -- I had to be enormously pleased.

The other case is completely different, a judgment made 30 years earlier by someone entirely outside the processes described in the book (at least I think so). I should be embarrassed even to mention the matter, and so, in a way, I am. But I shall overcome my embarrassment because the comment is so appropriate to your own treatment of Trade and Payments as history. The occasion was a review of the book by Alvin Johnson, an American economist who did an extraordinary number of things of which some of the best known were editing the first Encyclopedia of the Social Sciences and helping found and then becoming president of The New School for Social Research in New York which, during the Second World War, also housed the University in Exile with a faculty drawn from antifascist Europe. He was also my next door neighbor in Upper Nyack, New York, and perhaps that explains everything. Anyhow, in a generous review in the Spring 1953 number of Social Research, a journal published by the New School, Dr. Johnson spoke kindly of my scholarship and said I had provided the guide Americans needed to "what the European statesmen were trying to do with their tangled web". So far, so good, but now comes the embarrassing part. He said I was too modest. (Such defects are easy to overcome, as you see). "Dr. Diebold thinks his book is boring". I do not find this in the text. Maybe I said it as I gave a copy to this wonderful man -- then 79 -- so he should not feel he had to look at it when he would otherwise have been reading Greek and Latin on his back porch in the early morning or growing fine vegetables. Anyhow, Dr. Johnson then wrote that he had seen a presentation copy of Arthur Young's Travels in France in which the author apologizes on the flyleaf for being so boring.

"But nobody today deserves a doctorate in economic history who does not know and love modest Arthur Young. I will venture a prediction. One hundred and fifty years from now no one will get a doctor's degree in economic history unless he knows and cherishes William Diebold, Jr."

I don't believe it. Do you? But you, the historians, might just make Dr. Johnson's prediction come true. And I should like that, for his sake and that of my great grandchildren. But perhaps you have done enough for now, and thank you again for making me think.

Upper Nyack and Venice

November 1983

William Diebold Jr.

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